


16 May 1986

MEMORANDUM FOR: Director of Central Intelligence

FROM: Richard J. Kerr
Deputy Director for Intelligence

SUBJECT: Globalization of Financial Markets

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1. This paper was prepared in  response to your request some time ago for a comprehensive paper on the global financial structure. I think it's a bold and successful effort on a very challenging subject.

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2. If we decide to distribute this paper outside the building, I will be asking OGI for some modest changes. In particular, I will ask that the Soviet section focusing on hard currency problems be expanded to include a more direct discussion of the implications of a global financial system for the Soviets, including opportunities it may give them for mischiefmaking.

3. Before I ask for any changes to the paper, however, we would like to have your reaction and recommendations about who might benefit from seeing this work.



Deputy Director for Intelligence

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SECRET

14 May 1986

NOTE FOR: DDI
ADDI

FROM: EA/DDI

SUBJECT: Globalization of Financial Markets:
Implications, Vulnerabilities, and Opportunities

1. The paper was prepared in response to a request from the Director. I like this paper. It is not the usual DI product--it is more of a speculative essay. I think it succeeds very well. It certainly focused my attention on an important development and stimulated my thinking. A case can be made that there is insufficient evidence (and sourcing) to support some of the statements, which are sweeping at times, but I think its boldness is what makes it useful.

2. A couple of other observations:

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- The Soviet appendix focuses on hard currency problems (a rehash of the recent, troubled memo) when it should be addressing the implications of a global financial system for Moscow, including opportunities for mischiefmaking.
- I also doubt that these changes will lead "to a greater Western orientation by Eastern Europe" (page vii and appendix). I suspect it will lead to greater tension between Moscow and its clients.
- The collection opportunities section will have to be dropped or recast if this paper is published.
- And, it will have to be coordinated.

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12 May 1986

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Deputy Director for IntelligenceFROM: [REDACTED]
Director of Global Issues

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SUBJECT: Globalization of Financial Markets:
Implications, Vulnerabilities, and
Opportunities [REDACTED]

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1. Action: None. The attached report was undertaken in response to your request for a study on the elements that make up the international financial structure and their interrelationship to economic, social, and political trends. If you concur, we can prepare a published version for distribution outside the Agency.

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2. Background: In responding to your request we decided to focus on the changing international financial system, particularly the explosion in its size, reach, and speed. These changing features and what we have termed the globalization of financial markets struck us as the thread that ties together many of the trade, deficit, debt, and technology movements you were asking about. We also determined that other important forces--narcotics trafficking, terrorism, etc.--are influenced by and are influencing the global financial networks. [REDACTED]

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3. I think the paper is very close to what you wanted. It certainly is different from anything we've ever done on the financial system and its interconnections. Because of its sweep as well as its fresh approach I think it would be well worth disseminating as an Agency report. [REDACTED] a young analyst in OGI's Economic's Division, wrote it, and played a major role in helping us conceptualize it. [REDACTED]

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